



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Corsiglia
Jennifer A. Maguire

**SUBJECT: 110 ROUNDTABLE DRIVE
FIRE RESTORATION**

DATE: June 5, 2014

Approved

Date

6/6/14

COUNCIL DISTRICT: 2

RECOMMENDATION

It is recommended that the City Council:

- (a) Adopt a resolution authorizing the Director of Housing to:
 - (1) Award a construction contract to the lowest responsive bidder in an amount not to exceed \$395,000, including a ten percent (10%) contingency, for the repair and restoration of the fire-damaged City-owned residential four-unit apartment building located at 110 Roundtable Drive (Roundtable);
 - (2) Negotiate any subsequent amendments or changes within the approved budget;
 - (3) Provide temporary housing assistance for residents displaced by the fire utilizing an existing allocation of Housing Trust Funds; and
 - (4) Hear and decide any timely bid protest(s), to make the final determination as to the lowest responsive bidder that is responsible, or reject all bids and re-bid the project.
- (b) Adopt the following Fiscal Year 2014-2015 Appropriation Ordinance amendments in the Low and Moderate Income Housing Asset Fund:
 - (1) Increase the Non-Personal/Equipment appropriation to the Housing Department in the amount of \$395,000; and
 - (2) Decrease the Unrestricted Ending Fund Balance in the amount of \$395,000.

OUTCOME

Approval of this resolution will allow the Director of Housing to expedite the procurement, contractor selection, and construction contract process for repairs to the fire damaged City

property located at 110 Roundtable Drive. The recommended actions will ensure that the Roundtable property is restored to full habitability for re-occupancy of the displaced residents, who are all formerly homeless individuals.

BACKGROUND

In February 2010, the Housing Department purchased the four-unit apartment building located at 110 Roundtable Drive (Roundtable). The vacant and foreclosed property was purchased through a federal Neighborhood Stabilization Program (NSP) Grant. In addition to serving the primary NSP goal of mitigating the negative effects of foreclosed properties within the City's hardest hit neighborhoods, the purchase of Roundtable helped fulfill a funding requirement to commit a minimum of 25 percent of the overall grant amount to households earning 50% or less of the Area Median Income (\$35,700 or less for a household of one).

Subsequent to full rehabilitation of the property, the Housing Department published a Request for Proposal which eventually led to a two-year lease agreement between the City and the nonprofit service provider Downtown Streets Team (DST). As a nonprofit, DST provides direct and indirect support to homeless and formerly homeless individuals such as job training, employment opportunities, and housing services. Since leasing Roundtable in June 2012, DST has been responsible for maintaining and managing the property.

On January 22, 2014, DST notified the City that there had been a fire at Roundtable the previous evening. While the San Jose Fire Department had responded in time to limit the damage, the fire had significantly damaged one of the four apartments, moderately damaged a second apartment, and minimally damaged the remaining two apartments. The building had also sustained a small amount of damage to the exterior. Immediately after receiving notification of the fire from DST, Housing Department staff coordinated with the Finance Department's Risk Management Division, Public Works, and the City's insurance carrier AIG to establish the steps needed to begin the clean-up and restoration process. Over the following two months, between the end of January and end of March 2014, the Housing Department and Public Works staff utilized existing City contracts to secure the property, coordinate environmental testing and monitoring, and complete the abatement of fire damaged material and debris.

The Department is currently coordinating with the Risk Management Division to recapture any costs or expenses associated with the loss of use or damage to the Roundtable property. The property was scheduled as having a full replacement value of \$395,000 with a deductible of \$100,000 per claim. Additional policy sub-limits apply for demolition and abatement, loss of rental income, and debris removal.

The destabilization of the residents through the temporary loss of housing has also posed a significant challenge. The individuals occupying these units were former and current members of DST. Permanently housing these clients at the Roundtable property represented a major success for DST and supported a core goal of the City's "housing first" strategy to move homeless individuals off the streets and into stable living situations. The temporary loss of the

Roundtable property has placed many of these individuals into an uncertain, temporary housing state and has resulted in the relapse into homelessness for one client.

ANALYSIS

In an effort to expedite the contractor procurement and restoration process, the Housing Department is seeking authority for the Director of Housing to award and execute a restoration contract up to \$395,000. In addition to the restoration expenses, the Department will utilize funds from the City's Housing Trust Fund's Emergency Assistance appropriation to assist the displaced tenants with expenses for temporary housing up to \$10,000. The total combined limit of the restoration and housing assistance will not exceed \$405,000.

Upon approval of these recommendations, Department staff will manage the solicitation and procurement of a qualified contractor through a competitive process and will ensure that all established City procurement and contract processes are followed. The selected contractor(s) will be required to follow all City construction and contract policies including submission of adequate performance and payment bonds and adherence to City and State prevailing wage laws and policies. Department staff will provide direct project oversight during the restoration process and will coordinate the permits and trade inspections through the City's Department of Planning, Building and Code Enforcement. The restoration will consist of repairs to the existing building including limited exterior repairs; therefore, there will be little to no impact to the surrounding environment.

Post abatement assessments conducted by Department staff estimate that the restoration will fall below the \$395,000 budget, including project contingency and temporary housing assistance for the displaced residents. It is expected that the work will be completed and displaced tenants will be back in their homes by fall of 2014.

Expediting the restoration of these units is critical to ensuring the long-term housing stability of all of the residents who had finally obtained permanent housing. Continued uncertainty about the timing and reentry into permanent housing creates the possibility of additional lapses into homelessness, jeopardizing the progress, health, and well-being of all of the impacted individuals.

EVALUATION AND FOLLOW-UP

If the proposed restoration costs exceed the approved \$395,000 budget, staff will return to City Council prior to award with alternative recommendations. Staff will return to City Council to recognize insurance revenue to offset restoration costs upon completion of the claim process.

POLICY ALTERNATIVES

Alternative #: *Seek City Council approval after completing the contractor procurement and delay the contractor selection and award.*

Pros: A more accurate cost estimate can be presented based on the solicited bids.

Cons: This course of action would significantly delay the restoration process and re-occupancy of the displaced tenants.

Reason for not recommending: This process would significantly delay the restoration process and the re-occupancy of the building's tenants. No cost or time benefit would be gained from this alternative and may add additional costs due to the delays.

PUBLIC OUTREACH/INTEREST

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The action recommended in this memorandum does not meet any of the criteria above. However, this memorandum will be posted to the City Council Agenda website for its June 17, 2014, meeting.

COORDINATION

Staff has coordinated with the City Attorney's Office, the Finance Department, and the Department of Planning Building and Code Enforcement.

COST IMPLICATIONS

Approval of this action will enable the City to proceed with reconstruction of the fire damaged property at 110 Roundtable Drive, to be used to house homeless individuals, while the City finalizes the insurance claim. There is sufficient Ending Fund Balance in the Low and Moderate

Income Housing Asset Fund to initially fund the restoration costs. Once received, budget actions will be brought forward to recognize funds from the insurance claim and allocate those funds to replenish the Ending Fund Balance.

BUDGET REFERENCE


This project will be funded from the Low and Moderate Income Housing Asset Fund (Fund 346). Department staff will continue to work with the Finance Department's Risk Management Division to seek reimbursement for eligible expenses.

Fund #	Appn #	Appn. Name	Total Appn.	Recommended Budget Action	2014-2015 Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)
346	0562	Non-Personal / Equipment	\$802,634	\$395,000	XI-54	N/A
346	8999	Unrestricted	\$3,246,317	(\$395,000)	XI-55	N/A

CEQA

Exempt, File No. PP14-048.

/s/
LESLYE CORSIGLIA
Director, Housing Department


JENNIFER A. MAGUIRE
Deputy City Manager/Budget Director

For questions please contact James Stagi, Housing Policy and Planning Administrator, at (408) 535-8238.